



MOSS LAKE
GOLD MINES LTD

MOSS LAKE GOLD MINES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

JUNE 30, 2003

MESSAGE TO SHAREHOLDERS

During the second quarter we saw continued strength in the gold market and growing optimism that this trend will continue.

The Moss Lake gold deposit hosts resources of 60 million tonnes grading 1.1 gAu/tonne above a depth of 250 metres. Although much higher sustained gold prices are required to develop a profitable mine here, considerable exploration potential exists on the large, surrounding property.

We continue to believe that as the gold price strengthens so will the market's view of our assets. We are planning a modest drilling program this fall to test targets south of the Moss Lake property. We continue to seek a major corporate partner to fully evaluate the potential of our large property on terms favourable to shareholders.

George N. Mannard
President

August 14, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

Moss Lake Gold Mines Ltd. was formed in 1994 to consolidate ownership of the Moss Lake property. In 1999 it acquired the large adjoining Fountain Lake property. Its substantial resources require sustained higher gold prices to become viable to mine. The Company began trading on the Toronto Stock Exchange in 1995. In 2000, the Company migrated to the TSX Venture Exchange.

RISKS AND UNCERTAINTIES

The inherent risks which most profoundly affect the Company's activities are the price of gold and the ability of the Company to obtain financing necessary to establish economic ore reserves. With the prolonged depressed state of the gold market in recent years, financing has been unobtainable. The Company has continued to rely on the financial support of parent company, River Gold Mines Ltd. Although this cannot be counted upon in the future, River Gold has been supportive of Moss Lake's efforts and has provided a backup source of capital. The Company completed a private placement with River Gold in 2002 in the amount of \$0.45 million.

RESOURCE ESTIMATES

Resource estimates were performed in 1992 by the senior evaluation engineer of Noranda Exploration Company Ltd. The higher grade core estimate was completed by River Gold Mines Ltd. mine geologists in 1996. This estimate employed historic underground drifting data and closely-spaced surface drilling information. Although completed prior to the institution of National Instrument 43-101 (Standards of Disclosure for Mineral Projects), management believes its methodology and terminology are consistent with the new guidelines.

LIQUIDITY AND CAPITAL RESOURCES

The Company is an exploration and development company and has no revenue. At June 30, 2003, the Company had cash resources of \$742 compared to \$311 as at year-end 2002. A working capital deficiency of \$157,526 existed compared to \$109,952 at year-end 2002. The payables and accruals of \$170,838 include \$150,116 of advances from majority shareholder River Gold Mines Ltd., which has been funding the Company's activities. In 2002, River Gold acquired 3.0 million treasury shares at \$0.15 per share, which allowed the Company to settle indebtedness and fund exploration.

BALANCE SHEET

At June 30, 2003, assets totalled \$888,597 compared to \$871,418 at year-end 2002. During the first half 2003, the Company spent \$10,938 on royalties and \$10,447 on exploration expenditures on the Moss Lake property to increase its carrying value to \$7,124,220. The Company also spent \$555 on exploration expenditures on the Fountain Lake property to increase its carrying value to \$715,817. River Gold continued to finance the Company, advancing \$34,700 during the second quarter 2003 for a total of \$44,800 for the year. The Company reported a loss for the quarter of \$11,770 compared to \$14,448 in 2002. The loss for the year is \$25,635 compared to \$24,894 in 2002. The Company continues to monitor its corporate and general expenses closely.

OUTLOOK

In fall 2003, we plan to test exploration targets south of the Moss Lake deposit on the Fountain Lake claims. We are encouraged by the renewed exploration activity in the area and the strengthening gold market. The Company believes a new discovery is the catalyst required to ignite investor enthusiasm and refinance its long-term efforts. We continue to examine potential mechanisms to increase shareholder value via acquisitions or new business combinations.

Moss Lake Gold Mines Ltd.
Balance Sheets
(Unaudited)

	Jun 30 2003	Dec 31 2002
Assets		
Current		
Cash	\$ 742	\$ 311
Receivables	<u>12,570</u>	<u>17,761</u>
	13,312	18,072
Exploration properties (Note 3)	<u>875,285</u>	<u>853,346</u>
	<u>\$ 888,597</u>	<u>\$ 871,418</u>
Liabilities		
Current		
Payables and accruals	\$ 20,722	\$ 22,679
Due to River Gold Mines Ltd.	<u>150,116</u>	<u>105,345</u>
	<u>170,838</u>	<u>128,024</u>
Shareholders' Equity		
Capital stock (Note 4)	8,240,386	8,240,386
Deficit	<u>(7,522,627)</u>	<u>(7,496,992)</u>
	<u>717,759</u>	<u>743,394</u>
	<u>\$ 888,597</u>	<u>\$ 871,418</u>

Interim Statements of Operations and Deficit
(Unaudited)

	Six Months 2003	Six Months 2002	Three Months 2003	Three Months 2002
Interest Income	\$ <u>53</u>	\$ <u>326</u>	\$ <u>18</u>	\$ <u>146</u>
Costs and expenses				
Corporate and general	<u>25,688</u>	<u>25,220</u>	<u>11,788</u>	<u>14,594</u>
Net loss	<u>(25,635)</u>	<u>(24,894)</u>	<u>(11,770)</u>	<u>(14,448)</u>
Deficit, beginning of period	<u>(7,496,992)</u>	<u>(7,438,853)</u>	<u>(7,510,857)</u>	<u>(7,449,299)</u>
Deficit, end of period	<u>\$ (7,522,627)</u>	<u>\$ (7,463,747)</u>	<u>\$ (7,522,627)</u>	<u>\$ (7,463,747)</u>
Net loss per common share (Note 5)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

See accompanying notes to the unaudited interim financial statements.

Moss Lake Gold Mines Ltd.
Interim Statements of Cash Flows
(Unaudited)

	Six Months 2003	Six Months 2002	Three Months 2003	Three Months 2002
Increase (decrease) in cash				
Operating activities				
Net loss	\$ (25,635)	\$ (24,894)	\$ (11,770)	\$ (14,448)
Advances from River Gold Mines Ltd.	44,771	9,801	34,621	8,537
Change in receivables and payables	<u>3,235</u>	<u>8,809</u>	<u>(18,020)</u>	<u>(4,269)</u>
	22,371	(6,284)	4,831	(10,180)
Investing activities				
Exploration properties	<u>(21,940)</u>	<u>(31,599)</u>	<u>(12,322)</u>	<u>(9,202)</u>
Net increase (decrease) in cash	431	(37,883)	(7,491)	(19,382)
Cash, beginning of period	<u>311</u>	<u>87,812</u>	<u>8,233</u>	<u>69,311</u>
Cash, end of period	\$ <u>742</u>	\$ <u>49,929</u>	\$ <u>742</u>	\$ <u>49,929</u>

See accompanying notes to the unaudited interim financial statements.

Moss Lake Gold Mines Ltd.

Notes to the Interim Financial Statements

(Unaudited)

Six months ended June 30, 2003

1. Operations and going concern assumption

Moss Lake Gold Mines Ltd. (the "Company") is a publicly traded company and is incorporated under the Business Corporations Act (Ontario). The Company's common shares are listed on the TSX Venture Exchange.

The Company is a subsidiary of River Gold Mines Ltd. ("River Gold"), a publicly held company, which is listed on the Toronto Stock Exchange. On June 30, 2003 and December 31, 2002, River Gold held approximately 58% of the then outstanding common shares of the Company.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred significant losses and at June 30, 2003, the Company had a deficit of \$7.5 million. The recoverability of the carrying value of exploration properties is dependent upon the continued support of River Gold, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to develop ore reserves, future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require additional write-downs of the carrying values.

These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant accounting policies

These interim financial statements follow the same accounting policies and methods of computation as the most recent annual financial statements for the year ended December 31, 2002.

3. Exploration properties

Moss Lake Property

The Company has a 100% interest in this property, which is situated in Moss Township, 100 kilometres west of Thunder Bay, Ontario.

The property consists of 33 contiguous unpatented mining claims and 2 mining leases (comprising 540 hectares) which were acquired in 1995. The Company is obligated to pay underlying advance royalties of \$5,469 per quarter to certain original vendors until commercial production is achieved. Upon commencement of commercial production, the property is subject to an 8.75% net profits royalty, as defined, to these underlying vendors in lieu of the underlying advance royalty.

In addition, the property includes 15 contiguous unpatented claim units acquired in 1998. These units are subject to a 1% net smelter return royalty.

Fountain Lake Property

The property consists of 149 mining claims contiguous to the Moss Lake Property to the east, west and south, and is subject to a 2.5% net smelter return royalty payable to certain original vendors of the property.

Moss Lake Gold Mines Ltd.
Notes to the Interim Financial Statements
(Unaudited)

Six months ended June 30, 2003

3. Exploration properties (continued)

Carrying values	June 30 <u>2003</u>	Dec 31 <u>2002</u>
Moss Lake Property		
Cost of property	\$ 6,010,000	\$ 6,010,000
Settlement of advance royalties	105,000	105,000
Underlying advance royalties	204,500	193,563
Exploration expenditures	<u>804,720</u>	<u>794,273</u>
	<u>7,124,220</u>	<u>7,102,836</u>
Fountain Lake Property		
Cost of property	466,081	466,081
Exploration expenditures	<u>249,736</u>	<u>249,181</u>
	<u>715,817</u>	<u>715,262</u>
Other	<u>5,000</u>	<u>5,000</u>
	<u>7,845,038</u>	<u>7,823,098</u>
Write-down of carrying values	<u>(6,969,752)</u>	<u>(6,969,752)</u>
	<u>\$ 875,285</u>	<u>\$ 853,346</u>

4. Capital stock

Authorized:

The authorized capital of the Company consists of an unlimited number of preference shares and common shares without par value. The preference shares may, from time to time, be issued in one or more series the rights, privileges, restrictions and conditions of which may be determined by the Board of Directors. No preference shares have been issued.

Common shares issued:

	<u>Shares</u>	<u>Amount</u>
Balance, December 31, 2001	31,166,667	\$ 7,790,386
Issued to River Gold under private placement	466,667	70,000
Issued on conversion of indebtedness to River Gold	<u>2,533,333</u>	<u>380,000</u>
Balance, December 31, 2002 and June 30, 2003	<u>34,166,667</u>	<u>\$ 8,240,386</u>

Stock option plan

The Company has a stock option plan under which the Board of Directors may grant options to purchase common shares of the Company to key employees, officers or directors of the Company. The aggregate number of common shares, which may be reserved for issuance under the plan, is limited to 600,000.

The following table reflects the continuity for the six months ended June 30, 2003 and 2002 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Outstanding, beginning of period	<u>400,000</u>	-	\$ 0.20	\$ -
Granted	-	<u>400,000</u>	\$ -	\$ 0.20
Outstanding, end of period	<u>400,000</u>	<u>400,000</u>	\$ 0.20	\$ 0.20

The stock options granted in fiscal 2002 expire in June 2007.

Moss Lake Gold Mines Ltd.

Notes to the Interim Financial Statements

(Unaudited)

Six months ended June 30, 2003

4. Capital stock (continued)

The Company applies the intrinsic value based method of accounting for stock-based compensation awards to employees and accordingly no compensation cost is recognized. Had stock-based compensation for 400,000 options granted to employees under the Plan since January 1, 2002 been determined on the basis of fair value at the date of grant in accordance with the fair value method of accounting for stock-based compensation, the Company's pro forma net loss and loss per share for the period ended June 30, 2003 would have been as follows:

	<u>Six Months</u>		<u>Three Months</u>	
	<u>Net Loss</u>	<u>Net Loss Per Share</u>	<u>Net Loss</u>	<u>Net Loss Per Share</u>
As reported	\$ 25,635	\$ 0.00	\$ 11,770	\$ 0.00
Pro forma	\$ 34,021	\$ 0.00	\$ 15,963	\$ 0.00

For purposes of the above calculations, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants: dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 2.5% and expected life of 3 years.

5. Loss per common share

Loss per common share is based on a weighted average number of shares outstanding of 34,166,667 for the three months ended June 30, 2003 and 31,166,667 for 2002. The weighted average number of shares outstanding for the six months ended June 30, 2003 was 34,166,667 compared to 31,166,667 for 2002.

Diluted earnings per share reflects the dilutive effect of the potential exercise of the common share options outstanding as at year end. The effect of common share purchase options on the net loss in 2003 is not reflected as to do so would be anti-dilutive.

6. Related party information

Under the terms of management agreements, River Gold, as manager, provides technical and administrative support and carries out annual exploration programs on the Moss Lake and the Fountain Lake Properties for an indefinite term. River Gold is entitled to administrative fees, expressed as a percentage of allowable costs (as defined and including capital expenditures) of 7.5% during the exploration phase, 5% during the development and pre-production phase and 2.5% after commencement of commercial production. Administrative fees charged amounted to \$760 and \$1,496 for 2003 and 2002, respectively, all of which were capitalized.

Payables and accruals at June 30, 2003 and 2002 included \$150,116 and \$105,345, respectively, due to River Gold.

7. Financial instruments

The Company's financial instruments consist of cash, receivables and payables. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximate the carrying values.